



# ITG News



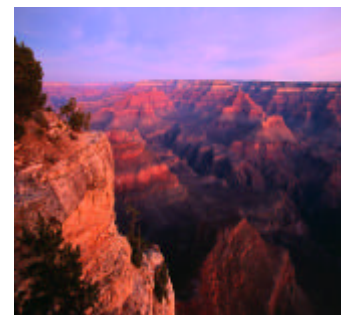
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## Message From The Director



We recently released our Work Plan for Fiscal Year 2005, and posted a copy to our web site at [www.irs.gov/tribes](http://www.irs.gov/tribes). We have shared the Work Plan each year, in order to provide our customers with information on where we will be focusing added attention during the current year. This includes emphasis we will place on certain issues, and added efforts we will undertake in education and examinations.

I am often asked how we determine the areas where we will place added focus. This is a complex process that involves considerable judgment, but much of the information required to make those determinations are based on a combination of customer feedback in our annual survey, changing demographic and economic trends within Indian country, and fairness. This latter factor, fairness, is often misunderstood, but principally involves our need to ensure that all Tribes are treated equally with other types of governmental entities, as well as with each other.

For the current fiscal year, we will be placing added emphasis on the issues associated with tribal gaming. This includes adherence with Title 31 requirements (anti money laundering statutes), tip income reporting compliance, and information reporting in the areas of gaming payouts to patrons and expenditure of gaming proceeds by the Tribe. Our work will include a combination of enhanced outreach, as well as focused Compliance Checks and examinations.

The emphasis placed on gaming issues does not mean that we will ignore other issues and needs. We recognize that many Tribes do not have gaming, and that those who do have gaming also have numerous other tribal enterprises and tax issues. We will continue to address those issues and needs.

As always, I am available to discuss any concerns you may have that cannot be resolved with my local staff. I can be reached at 202-283-9800.

**Christie Jacobs**

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## IRS Tribal Consultation Policy Update

In April 2003 we embarked upon a journey to develop an IRS Tribal Consultation Policy in conformance with the requirements of Executive Order 13175. We held 12 regional listening meetings, utilized a joint IRS Tribal drafting committee, and recently solicited feedback from tribal leaders on a draft policy that was developed through these efforts.

We are now in the final stages, and expect to have a policy published in the Federal Register in the near future. While we recognize that the final policy cannot satisfy everyone's interests, we are confident that the process we employed have maximized the opportunity for input, and will provide Tribes the communication mechanisms to be able to raise issues of interest to them at any time.

We wish to thank everyone who participated in the listening meetings, provided suggestions and feedback, and helped to create the draft policy. This effort has truly been an example of the effective exercise of government-to-government relations.

## Customer Satisfaction Survey Results

The office of Indian Tribal Governments recently completed its second annual Customer Satisfaction survey. We received responses from 195 Tribes, an increase of 43% from the 2003 survey. Our appreciation to everyone who took time to provide us with valuable feedback on our operations. A report on the results of the survey is posted to our Internet site at [www.irs.gov/tribes](http://www.irs.gov/tribes).

In general, overall satisfaction rose from 68% to 70%, while dissatisfaction dropped from 10% to 3%. While these results indicate improvements have been made, the survey also showed several areas where we need to place added efforts.

One of those areas involves the clarity of our forms and publications. We have already started work to improve Publication 4268, our on-line Employment Tax Desk Guide for Tribal Governments. We are also involved in a redesign of Form 941, the Employer's Quarterly Federal Tax Return, in the hope that we can streamline the form and improve its design. Since that form involves all employers, and the Social Security Administration, the revision process will be lengthy and a new form may not be implemented for some time.

Another area for improvement is our need to ensure fairness in addressing issues with Tribes, in other words, to take actions that reassure Tribes that we are addressing similar issues with ALL Tribes at approximately the same time. While that has been our objective, we will be redoubling our efforts to ensure equity exists.

Although the Customer Satisfaction Survey is done on an annual basis, we welcome your feedback at anytime. Comments and/or suggestions can be submitted to us at [tege.ask.itg@irs.gov](mailto:tege.ask.itg@irs.gov).

# TRIBAL LEADERS

## Don't leave Federal dollars on the table

### Help working Native families claim the Earned Income Tax Credit (EITC)!

Every year, millions of EITC dollars go unclaimed in Native communities. Families may qualify for refunds from \$390 to \$4,300 in the 2004 tax year, depending on their amount of earned income and number of qualifying children. You can help members of your community claim the EITC refund through their income tax returns.



### Launch an EITC Outreach Campaign

Download free resources at [www.eitc.info/native](http://www.eitc.info/native) to help get the word out to eligible families who are not currently claiming the EITC. You can organize a local coalition to:

- Run public service announcements and articles in local newspapers
- Include an EITC notice in employees' paychecks and W-2 statements
- Distribute flyers through housing and other service providers

### Publicize Free Tax Preparation Sites

Help consumers find free tax preparation sites to maximize their refund value. Obtain Volunteer Income Tax Assistance (VITA) locations near your community by calling 1-800-829-1040. Or e-mail the county and state of desired locations to [donna.lancaster@irs.gov](mailto:donna.lancaster@irs.gov). Please contact sites directly to confirm operation hours and assistor availability.

### Host EITC Workshops

Educate consumers about the EITC by recruiting financial education providers in your community to conduct workshops using a new workbook called *Building Native Communities: A Guide to Claiming the EITC* produced by First Nations Development Institute and the Annie E. Casey Foundation. For free copies, contact First Nations at 540-371-5615 or [info@firstnations.org](mailto:info@firstnations.org) or visit [www.firstnations.org](http://www.firstnations.org)



The Annie E. Casey Foundation  
[www.aecf.org](http://www.aecf.org)



[www.firstnations.org](http://www.firstnations.org)





## Casino Technology Advances Must Meet Anti-Money Laundering Statute Requirements

Technological advances continue in the gaming industry – new types of electronic games, improved player tracking systems, automated payout and reporting systems, and improved security and surveillance systems. All of these advances can improve operations. However, it is important to ensure that these advances do not bring risk to the casino operation, specifically that the changes they entail do not result in lapses in adherence to information reporting requirements and the anti-money laundering statutes under Title 31 of the U.S. Code.

One of the advances that is gaining momentum within tribal casinos is the installation of slot machines that issue “paper payouts”. Instead of cash or tokens being generated from the slots, a coded piece of paper denoting the amount of the win is issued by the machine. In some cases the patron can insert the ticket into a similar machine and credits totaling the amount of the ticket will register, enabling the player to continue gaming. The patron may also “cash” the ticket. In the past, a cash payout has normally been handled at the cage. However, we have observed that several casinos are installing machines that hold a considerable amount of cash, and that have the capability of cashing out the ticket.

The casino may have control in programming the amount that the machine can pay out, but there is often no ability to record the identification of the person conducting the transaction. As a result, the casino may be at risk of violating requirements of Title 31, the Bank Secrecy Act if there is no way to keep track of how much money an individual patron may secure from these machines in a gaming day. The transactions that would normally be shown on the Multiple Transaction Log maintained at the cage would not be recorded. If a patron had won multiple slot jackpots in which a Form W-2G was not required, then cashed out credits that had accumulated, no aggregation would be done, and it is likely that the requirement to prepare a CTR-C could go undetected if the total wins in a gaming day were over \$10,000. Several casinos have addressed this area by ensuring that the machines have a pre-determined limit on the amount that can be independently transacted by the customer. That additional step can help ensure that Title 31 requirements can be met if the limit is properly set. A common limit appears to be \$3000. Any payout in excess of that amount requires the involvement of a floor employee who can then secure the information required for Title 31 purposes.

Casinos have the responsibility of making sure that Title 31 rules and regulations are met. Automated cash-out machines that are not capable of controlling large transactions by an individual may jeopardize the effectiveness of the casino’s Title 31 program, and may place the casino at risk in the event of an examination. When installing new technology such as this, the casino needs to ensure that the equipment has the capability of fully addressing all of the processes that were performed by cage and floor personnel, and in this case, has safeguards that ensure anti-money laundering statute requirements are met.

## Abusive Schemes

**We continue to work with Tribes in identifying and addressing schemes that are surfacing in Indian country. If someone approaches you with a deal that seems “too good to be true”, or if you find evidence of abuses of tribal finances by former employees or consultants, please contact us via e-mail at [tege.schemes.itg@irs.gov](mailto:tege.schemes.itg@irs.gov). We want to partner with Tribes to prevent abuses, and protect tribal resources and the interests of tribal members.**





## PREPARING FORMS 1099-MISC

If you are required to file 250 or more information returns, you must file on **magnetic media or file electronically**. You may file on magnetic media or electronically even though you are filing fewer than 250 returns. The 250-or-more requirement applies separately to each type of form. The magnetic media/electronic filing requirement does not apply if you apply for and receive a hardship waiver.

Publication 1220, Specifications for Filing Forms 1098, 1099, 5498, and W-2G Magnetically or Electronically, is the reference guide for these reporting requirements. Electronic submissions are filed using the Filing Information Returns Electronically System (FIRE System). If you file the returns electronically, the due date to file is extended to March 31, 2005. Please refer to Publication 1220 for more information or call (304) 262-2400.

### Helpful Hints for paper document reporting:

Forms 1099-MISC, Miscellaneous Income, for the year 2004 should be prepared and furnished to all nonemployees by January 31, 2005, and filed with IRS by February 28, 2005. The Form 1096, Annual Summary and Transmittal of U.S. Information Returns, is filed with and reconciles the Forms 1099 with the Form 1096 for the total payments.

- The filer's name (payer) and TIN (Taxpayer Identification Number) should be consistent with the name and TIN used on the filer's other tax returns.
- The use of Form W-9, Request for Taxpayer Identification Number and Certification, to secure TIN's for all nonemployees is highly recommended.
- Ensure that **all** payments for services of \$600 or more are included on the information reports (unless the business is incorporated--see exceptions below.) Check **all records** and check with **all personnel** who make payments.

Nonemployee compensation (for independent contractors) should be entered in block 7 of the Form 1099-MISC.

- If any amount was withheld on payments to a nonemployee, enter that amount in block 4. This applies even though the amount of the payment may be below the normal threshold for filing the information report. File Form 945, Annual Return of Withheld Federal Income Tax, and make any required deposits timely for the amounts withheld. Backup withholding applies if:
  - The payee fails to furnish his or her taxpayer identification number (TIN) to you.



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- Your have received a notice ("B" notice) from IRS to impose backup withholding because the payee furnished an incorrect TIN.

The exemption from issuing Form 1099-MISC to a corporation **does not apply** to payments provided by corporations, including professional corporations for the following:

- Attorneys' fees of \$600 or more are reportable in block 7 of Form 1099-MISC. Report gross proceeds paid to an attorney in connection with legal services in block 14 of the Form 1099-MISC.
- Payments made to each physician or other supplier or provider of medical or health care services of \$600 or more should be included on a Form 1099. Enter amounts for these services in block 6 of the Form 1099-MISC. You are **not** required to report payments made to a tax-exempt hospital or extended care facility or to a hospital or an extended care facility owned and operated by a governmental entity.

Use a Form 1099-MISC to report rents paid (unless paid to a governmental entity or corporation) in block 1 of the form. This could be for office space (unless paid to real estate agent), machine rentals, or pasture rentals.

Make sure that the recipient's name matches the TIN. A business name should use an Employer Identification Number (EIN). An individual should have a Social Security Number (SSN).

Refer to 2004 Instructions for Forms 1099, 1098, 5498, and W-2G by going to <http://www.irs.gov/pub/irs-pdf/i1099.pdf> or request a copy of the publication by calling 1 (800) TAX-FORM or (1 (800) 829-3676).

- Send Copies A of all paper Forms 1099-MISC to the IRS along with the Form 1096, Annual Summary and Transmittal of U.S. Information Returns. Instructions for the mailing of the Forms 1099 are provided in the instructions for the Form 1096.

**Contact your ITG Specialist if you have any questions.** If you are unsure of who is your assigned ITG Specialist, then please contact the Southwest Group Manager, Steve Bowers at 714-347-9430 or e-mail him at [Steve.D.Bowers@irs.gov](mailto:Steve.D.Bowers@irs.gov).

To add your name or e-mail address to our mailing list, please contact us via e-mail at [Suzanne.V.Perry@irs.gov](mailto:Suzanne.V.Perry@irs.gov), or call Suzanne Perry at (602) 207-8254.

Account or Tax Questions??  
Call Customer Account Services at  
1-877-829-5500.  
Or contact your assigned ITG Specialist



## January 2005

SUN	MON	TUE	WED	THU	FRI	SAT
						1
2	3 * Make a deposit 12/25-12/28  Stop advance pay- ments of EITC for any employee not filing a new Form W-5	4	5 * Make a deposit for 12/29-12/31	6	7 * Make a deposit for 1/1-1/4	8
9	10 Employees report December tip income to employers if \$20 or more	11	12 * Make a deposit for 1/5-1/7	13	14 * Make a deposit for 1/8-1/11	15
16	17	18 ** Make a deposit for December if under the monthly deposit rule	19	20	21 * Make a deposit for 1/12-1/14	22
23	24 * Make a deposit for 1/15-1/18	25	26 * Make a deposit for 1/19-1/21	27	28 * Make a deposit for 1/22-1/25	29
30	31) Give employees cop- ies of their Forms W- 2 for 2004, and give annual informa- tion statements (Forms	1099, 1098, 5498, and W-2G) to all recipients of report- able payments				

## February 2005

SUN	MON	TUE	WED	THU	FRI	SAT
		1	2 * Make a deposit for 1/26-1/28	3	4 * Make a deposit for 1/29-2/1	5
6	7	8	9 * Make a deposit for 2/2-2/4	10 Employees report January tip income to employers if \$20 or more	11 * Make a deposit for 2/5-2/8	12
13	14	15 ** Make a deposit for January if under the monthly deposit rule	16 * Make a deposit for 2/9-2/11	17	18 * Make a deposit for 2/12-2/15	19
20	21	22	23	24 * Make a deposit for 2/16-2/18	25 * Make a deposit for 2/19-2/22	26
27	28					



## March 2005

SUN	MON	TUE	WED	THU	FRI	SAT
		1	2 * Make a deposit for 2/23-2/25	3	4 * Make a deposit for 2/26-3/1	5
6	7	8	9 * Make a deposit for 3/2-3/4	10 Employees report February tip income to employers if \$20 or more	11 * Make a deposit for 3/5-3/8	12
13	14	15 ** Make a deposit for February if under the monthly deposit rule	16 * Make a deposit for 3/9-3/11	17	18 * Make a deposit for 3/12-3/15	19
20	21	22	23 * Make a deposit for 3/16-3/18	24	25 * Make a deposit for 3/19-3/22	26
27	28	29	30 * Make a deposit for 3/23-3/25	31		

\*= Make a Payroll Deposit if you are under the semi-weekly deposit rule.

\*\*= Make a Monthly Deposit if you qualify under that rule.

NOTE: Deposits made through EFTPS are due one day prior to the dates listed.

## Return Filing Dates

### January 31st

- > File Form 941 for the 4th quarter of 2004. If all deposits paid on time and in full, file by February 10th.
- > File Form 940 for 2004 if liable for Federal Unemployment Tax (not participating or current with state unemployment tax). If all deposits paid on time and in full, file by February 10th.
- > File Form 730 and pay the tax on applicable wagers accepted during December.
- > File Form 945 for 2004. If all deposits paid on time and in full, file by February 10th.
- > File Form 943 for 2004 (agricultural entities). If all deposits paid on time and in full, file by February 10th.

### February 28th

- > File information returns for all payments reported to recipients on Forms 1099, 1098, 5498, and W-2G, using Form 1096 as a transmittal. If filing these forms electronically, file by March 31st.
- > File Form W-3, along with copy A of Forms W-2 you issued for 2004. File by March 31st if filing electronically.
- > File Form 730 and pay the tax on applicable wagers accepted during January.
- > File Form 8027 if you are a large food and beverage establishment. File by March 31st if filing electronically.

### March 31st

- > File Form 730 and pay the tax on applicable wagers accepted during February.